



[September Issue](#)
[Current Links](#)
[Past Articles](#)
[Address Changes](#)

SELLING

[Personal Marketing](#)
[Property Marketing](#)
[Prospecting](#)
[Listing](#)
[Working With Buyers](#)
[Negotiating](#)
[Closing](#)
[Follow Up](#)
[Handouts for Customers](#)
[For Rookies](#)
[Personal Assistants](#)
[Sales Coach Column](#)

TECHNOLOGY

[Ask Mr. Internet](#)
[Build a Better Web Site](#)
[Buyer's Guides](#)
[Cool Tools](#)
[Tech Watch](#)

TOOLS

[Architecture Guide](#)
[Book Blog](#)
[Online Exclusives](#)
[Archive](#)
[Quizzes](#)

REAL ESTATE NEWS

[Today's News](#)
[Regional News](#)
[Commercial News](#)

BROKERAGE MANAGEMENT

[Prepackaged Sales Meetings](#)
[Risk Management](#)
[Retirement Planning](#)
[Retaining Top Personnel](#)

BUYER'S GUIDE: **Investment Analysis Software**

A Good Investment

BY MICHAEL ANTONIAK

Want to determine which property holds the most money-making potential? Or when is the opportune time to buy or sell? Real estate investment analysis software can be your crystal ball to taking some of the guesswork out of evaluating properties.

Jay Davis, a commercial real estate adviser with Atlanta Commercial Real Estate Services Inc., unlocks some of those investing unknowns with **Landlord's Cash Flow Analyzer software**, one program in a diverse catalog of real estate investment analysis applications. The \$80 software functions as an add-on to Microsoft Corp.'s Excel spreadsheet software.

“Most of our clients are buyers or investors trying to determine how profitable a particular property will be or which of several properties represents their best investment,” says Davis, who focuses mostly on multifamily dwellings and office and warehouse “flex space” valued between \$1 million and \$3 million. **“With the software, it’s easy to do those comparisons and provide a realistic projection of the income any property will produce.”**

Such software is becoming an essential tool of real estate investing, whether planning your own portfolio or advising clients on their next move. You simply input financial data and then turn it over to the application to deliver a realistic assessment of the costs and potential payback for any type of real estate, from the modest apartment to a sprawling complex. The software can be used to test different expense scenarios, identify financial risks, project pre- and post-tax income 10 or 20 years out, and evaluate the value of similar buildings or parcels.

“When buyers see those numbers, they have a better understanding of what a property is really worth and how changes in any of the details can affect their investment,” says Christopher Lee at Coldwell Banker Commercial Amato & Associates in Newark, DE.

Which is Your Best Investment?

The biggest challenge of investment analysis software isn't actually using it, but rather trying to choose from the many options available.

Here's what you should consider:

- **Your needs.** Some programs are better suited for analyzing residential or commercial properties, providing a quick overview of value and earning potential, or giving cost and cash flow projections 10 or more years out. Also, programs that create easily grasped reports and graphs can be as important as the data itself, especially when you can use them to demonstrate your market savvy to win clients or listings.

- **Skill set.** Several solutions are Excel add-ons. If you're familiar with Excel, take a look at these first, as you'll be up and running right away. With standalone applications, consider the ease of use and required learning curve.
- **Clients.** Are your customers small-time landlords or institutional investors? The level of sophistication each requires from analysis and advisers varies, which will help dictate the capabilities you'll need from the software.
- **Homework.** If you can't make out the terminology of these products, you won't be able to fairly evaluate their functions. Keep a real estate glossary nearby if you're not familiar with such terms as market and asset valuation, annual property operating data (APOD), pre- and post-tax equity dividend, internal rate of return (IRR), modified internal rate of return (MIRR), sensitivity analysis, and Monte Carlo simulations.
- **Cost.** A higher price does not necessarily indicate a better software solution. Take advantage of vendor offers to sample reports and try demos and trial versions to identify the software best suited to the insights and advice you want to provide clients. Then you'll be able to make a smart investment.

Investment Analysis Software

Landlord's Cash Flow Analyzer \$79.95, [RentalSoftware.com](#), 866/290-4183.

Windows Excel-based solution for determining present value and return on investment from rental property. Functions include 20-year cash flow analysis, annual property operating data, and resale analysis by year of ownership. Play "what if" with numbers to determine how range of factors impact property value and return. Includes 15 standard reports, including an executive summary, in PDF format for printing or e-mailing. Company also offers Flipper and Rehabber Cash Flow Analyzer for short-term investment properties.

NAR didn't evaluate or endorse the product and isn't responsible for changes in company info.

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